

**CHANCELLOR CHARTER
SCHOOL AT LANTANA
(A Division of Learning
Excellence Foundation of
South Palm Beach County, Inc.)**

**Basic Financial Statements and
Supplemental Information**

**For the year ended
June 30, 2009**

**BERMAN HOPKINS
WRIGHT & LAHAM**
CPAS AND ASSOCIATES, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Chancellor Charter School at Lantana
Lantana, Florida



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We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chancellor Charter School at Lantana (the "School"), a component unit of the School District of Palm Beach County, Florida and a division of Learning Excellence Foundation of South Palm Beach County, Inc. (the "Charterholder"), as of and for the year ended June 30, 2009, which collectively comprise Chancellor Charter School at Lantana's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Chancellor Charter School at Lantana's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of Chancellor Charter School at Lantana at June 30, 2009, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of the Charterholder.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chancellor Charter School at Lantana, as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2009, on our consideration of Chancellor Charter School at Lantana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

September 22, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

As management of Chancellor Charter School at Lantana (the "School" which is a component unit of the School District of Palm Beach County, Florida), a division of Learning Excellence Foundation of South Palm Beach County, Inc. (the "Charterholder"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2009 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements found starting on page 8.

Financial Highlights

- The liabilities of the School exceeded its assets at the close of the most recent fiscal year by \$51,657 (net deficit).
- The School's total net deficit decreased by \$157,101 over prior year.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$77,133.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$58,108.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the School's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, exceptional instruction, and food services are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the School District of Palm Beach County, Florida. The School District of Palm Beach County, Florida includes the operations of the School in their operational results.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A fund is a collection of related accounts grouped together to maintain control over resources that have been segregated for specific activities or objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term* inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains three individual government funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances. The general fund and capital outlay fund are considered to be major funds.

The basic governmental fund financial statements can be found on pages 10 - 13 of this report.

The School adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules have been provided to demonstrate compliance with this budget and can be found on pages 26 and 27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 14 of this report.

Government-Wide Financial Analysis

As noted previously, net assets may serve over time as a useful indicator of the School's financial position. In the case of the School, liabilities exceeded assets by \$51,657 and \$208,758, respectively, for the years ended June 30, 2009 and 2008.

The largest portion of the net deficit is the unrestricted portion. This portion is primarily related to the note payable to the operating company. Another portion of the School's net assets reflects its investment in capital assets (e.g., building improvements, leasehold improvements, furniture, fixtures, and equipment, audio visual equipment, and information technology equipment.) The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

Comparison of the condensed statement of net assets and the statement of activities are provided below.

Chancellor Charter School at Lantana Statement of Net Assets

	Governmental Activities		
	2009	2008	Variance
ASSETS			
Current and other assets	\$ 328,786	\$ 247,293	\$ 81,493
Capital assets, net of accumulated depreciation	394,108	387,209	6,899
Total assets	<u>722,894</u>	<u>634,502</u>	<u>88,392</u>
LIABILITIES			
Current and other liabilities	251,653	228,338	23,315
Long-term liabilities outstanding	522,898	614,922	(92,024)
Total liabilities	<u>774,551</u>	<u>843,260</u>	<u>(68,709)</u>
NET ASSETS (DEFICIT)			
Invested in capital assets	394,108	387,209	6,899
Unrestricted deficit	<u>(445,765)</u>	<u>(595,967)</u>	<u>150,202</u>
Total net deficit	<u>\$ (51,657)</u>	<u>\$ (208,758)</u>	<u>\$ 157,101</u>

**Chancellor Charter School at Lantana
Statement of Activities**

	Governmental Activities		
	2009	2008	Variance
Revenues:			
Program revenues:			
Charges for services	\$ 133,315	\$ 161,898	\$ (28,583)
Operating grants and contributions	380,503	388,048	(7,545)
General revenues:			
State passed through local school district	3,360,980	3,216,808	144,172
Other revenues	22,906	15,820	7,086
Contribution	-	118,447	(118,447)
Forgiveness of debt	-	300,000	(300,000)
Total revenues	<u>3,897,704</u>	<u>4,201,021</u>	<u>(303,317)</u>
Expenses:			
Basic instruction	1,773,511	1,753,731	19,780
Exceptional instruction	95,277	92,945	2,332
Guidance services	4,094	46,909	(42,815)
Health services	49	170	(121)
Media services	33,745	29,089	4,656
Curriculum development	31,400	22,640	8,760
Staff development	395	5,018	(4,623)
Board of directors	31,781	20,000	11,781
School administration	656,613	639,304	17,309
Food services	3,725	864	2,861
Central services	32,450	40,057	(7,607)
Transportation	19,813	-	19,813
Operation of plant	865,711	827,933	37,778
Maintenance of plant	51,912	62,611	(10,699)
Before / after care	77,034	115,251	(38,217)
Interest on long-term debt	63,093	98,093	(35,000)
Total expenses	<u>3,740,603</u>	<u>3,754,615</u>	<u>(14,012)</u>
Change in net assets	157,101	446,406	(289,305)
Net deficit - beginning	<u>(208,758)</u>	<u>(655,164)</u>	<u>446,406</u>
Net deficit - ending	<u>\$ (51,657)</u>	<u>\$ (208,758)</u>	<u>\$ 157,101</u>

Governmental activities. Governmental activities increased the School's net assets by \$157,101 for the year ended June 30, 2009. The increase in net assets is primarily due to a decrease in total expenses and an increase in FTE revenues. The largest decreases in expenses were for guidance services, before and after care expenses, and interest on long-term debt. Due to state-wide budget cuts, the school eliminated the guidance position and also had cuts in the before and after school personnel. The decrease in interest expense is directly related to the decrease in long-term debt.

Financial Analysis of the Government's Funds

As noted previously, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the School. At the end of the current fiscal year, unreserved fund balance of the general fund was \$58,108 and reserved for deposit receivable fund balance was \$19,025. The fund balance of the School's general fund did not change between years.

General Fund Budgetary Highlights

The School increased appropriations for the general fund from the original to final budget by approximately \$86,000. The increase is primarily due to an expected increase in student enrollment from the preliminary projections.

The School's approved appropriations exceeded the general fund by approximately \$16,000. This was primarily due to salaries and benefit expenses being less than what were expected.

Capital Asset and Debt Administration

Capital assets. The School's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$394,108 (net of accumulated depreciation). This investment in capital assets includes building improvements, leasehold improvements, furniture fixture and equipment, audio visual equipment, and information technology equipment. Additional information on the School's capital assets can be found in Note C.

Debt Administration. The School's long-term liabilities at June 30, 2009 totaled \$522,898 a decrease of \$92,024 from 2008. Additional information on the School's long-term obligations can be found in Note D.

Request for Information

This financial report is designed to provide a general overview of Chancellor Charter School at Lantana's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Principal's office at 600 S. East Coast Avenue, Lantana, FL 33462-4577.

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

STATEMENT OF NET ASSETS

June 30, 2009

	Governmental Activities
ASSETS	
ASSETS	
Cash	\$ 64,761
Accounts receivable	7,553
Due from other agencies	23,329
Due from other schools	940
Due from operating company	190,086
Due from charterholder	357
Prepaid expenses	22,735
Total current assets	309,761
Deposit receivable	19,025
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation	
Building improvements	42,735
Leasehold improvements	250,599
Furniture, fixtures and equipment	18,609
Audio visual equipment	679
Information technology equipment	81,486
Total capital assets	394,108
Total assets	722,894
LIABILITIES AND NET ASSETS (DEFICIT)	
LIABILITIES	
Accounts payable	43,713
Accrued payroll and other expenses	207,940
Noncurrent liabilities	
Due in one year	102,673
Due in more than one year	420,225
Total liabilities	774,551
NET ASSETS (DEFICIT)	
Investment in capital assets	394,108
Unrestricted (deficit)	(445,765)
Total net deficit	\$ (51,657)

The accompanying notes are an integral part of this financial statement.

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2009

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 64,761	\$ -	\$ -	\$ 64,761
Accounts receivable	7,553	-	-	7,553
Due from other agencies	-	23,329	-	23,329
Due from other schools	940	-	-	940
Due from other funds	23,329	-	-	23,329
Due from operating company	190,086	-	-	190,086
Due from charterholder	357	-	-	357
Prepaid expenses	22,735	-	-	22,735
Deposit receivable	19,025	-	-	19,025
	\$ 328,786	\$ 23,329	\$ -	\$ 352,115
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 43,713	\$ -	\$ -	\$ 43,713
Accrued payroll and other expenses	207,940	-	-	207,940
Due to other funds	-	23,329	-	23,329
	251,653	23,329	-	274,982
 FUND BALANCES				
Reserved for deposit receivable	19,025	-	-	19,025
Unreserved	58,108	-	-	58,108
	77,133	-	-	77,133
Total fund balances	77,133	-	-	77,133
Total liabilities and fund balances	\$ 328,786	\$ 23,329	\$ -	\$ 352,115

The accompanying notes are an integral part of this financial statement.

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

June 30, 2009

Fund balances - total governmental funds \$ 77,133

The net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Building improvements, net of \$35,730 accumulated depreciation	\$ 42,735	
Leasehold improvements, net of \$68,051 accumulated depreciation	250,599	
Furniture, fixtures and equipment, net of \$25,363 accumulated depreciation	18,609	
Audio visual equipment, net of \$620 accumulated depreciation	679	
Information technology equipment, net of \$30,435 accumulated depreciation	<u>81,486</u>	
Total capital assets		394,108
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		<u>(522,898)</u>
Total net assets of governmental activities		<u>\$ (51,657)</u>

The accompanying notes are an integral part of this financial statement.

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

For the year ended June 30, 2009

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal passed through local school district	\$ -	\$ -	\$ 84,668	\$ 84,668
State passed through local school district	3,360,980	295,835	-	3,656,815
Other local revenues	156,221	-	-	156,221
Total revenues	<u>3,517,201</u>	<u>295,835</u>	<u>84,668</u>	<u>3,897,704</u>
Expenditures				
Current:				
Basic instruction	1,688,843	-	84,668	1,773,511
Exceptional instruction	95,277	-	-	95,277
Guidance services	4,094	-	-	4,094
Health services	49	-	-	49
Media services	33,087	-	-	33,087
Curriculum development	31,400	-	-	31,400
Staff development	395	-	-	395
Board of directors	31,781	-	-	31,781
School administration	645,067	-	-	645,067
Food services	2,863	-	-	2,863
Central services	32,450	-	-	32,450
Transportation	19,813	-	-	19,813
Operation of plant	536,227	295,835	-	832,062
Maintenance of plant	51,912	-	-	51,912
Before / after care	77,034	-	-	77,034
Fixed capital outlay	53,614	-	-	53,614
Debt Service:				
Principal	92,024	-	-	92,024
Interest	63,093	-	-	63,093
Total expenditures	<u>3,459,023</u>	<u>295,835</u>	<u>84,668</u>	<u>3,839,526</u>
Net change in fund balances	58,178	-	-	58,178
Fund balances at July 1, 2008	18,955	-	-	18,955
Fund balances at June 30, 2009	<u>\$ 77,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,133</u>

The accompanying notes are an integral part of this financial statement.

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

For the year ended June 30, 2009

Net change in fund balances - total government funds	\$	58,178
The change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report fixed capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Total fixed capital outlay	\$	53,614
Less: depreciation		<u>46,715</u>
		6,899
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Principal on long-term debt		<u>92,024</u>
Change in net assets of governmental activities	\$	<u><u>157,101</u></u>

The accompanying notes are an integral part of this financial statement.

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Chancellor Charter School at Lantana (the "School") is a division of the Learning Excellence Foundation of South Palm Beach County, Inc. (the "Charterholder"), a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors, which is composed of six members. The financial information presented is that of Chancellor Charter School at Lantana only and is not intended to be a complete presentation of the Charterholder. The School's entire workforce is provided by the operating company; therefore, all benefits are provided by the operating company.

The general operating authority of Chancellor Charter School at Lantana is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, which is the School District of Palm Beach County, Florida (the "District"). The charter may be renewed by mutual agreement between the School and the District. The current charter is effective until June 30, 2009. The School was granted an extension of the current charter until August 30, 2009 and is currently in negotiation for a ten year extension. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Chancellor Charter School at Lantana is considered a component unit of the School District of Palm Beach County, Florida.

The School's entire workforce is provided by the operating company; therefore, all benefits are provided by the operating company.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities.

Net assets, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets, restricted net assets, and unrestricted net assets. Net assets are reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. Two of the School's funds were deemed to be major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The School reports the following major governmental funds:

General Fund - is the general operating fund of the School and is used to account for all financial resources not required to be accounted for in another fund.

Capital Outlay Fund - in accordance with guidelines established by the School District of Palm Beach County, Florida this fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital outlay funds.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Cash

Cash is made up of cash on hand at the School and a checking account held at a financial institution. The School does not have any cash equivalents.

5. Receivables

Receivables include program receivables and amounts due from other agencies, other schools, the operating company, and the Charterholder. The School's management determined that 100% of receivables are deemed to be fully collectible. Therefore, no allowance for doubtful accounts has been provided.

6. Interfund receivables and payables

Activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds.

7. Prepaid expense

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid expenses in both government-wide and fund financial statement.

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Capital assets

Capital assets are reported in the governmental column on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$500 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building improvements	10 - 50
Leasehold improvements	7 - 15
Furniture, fixtures and equipment	7 - 10
Audio visual equipment	7 - 10
Computer software	3
Information technology equipment	3 - 5

9. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, governmental funds report the face amount of debt issued as other financing sources and payments of debt principal as other financing uses.

10. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Revenue sources (continued)

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

11. Use of estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE B - CASH

Custodial Credit Risk - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a formal policy regarding custodial credit risk. The School maintains its cash balances in a financial institution (the "Bank"). The Bank participates in the Federal Deposit Insurance Corporation ("FDIC") Transaction Account Guarantee Program. Under this program, through December 31, 2013, all non-interest bearing transaction accounts (demand deposit accounts) are fully guaranteed by the FDIC for the entire amount in the account. Coverage under this program is in addition to and separate from the coverage available under the FDIC's basic deposit insurance rules. Balances in other account types, including interest bearing accounts, are insured up to \$250,000 until December 31, 2013. Thereafter, only balances up to \$100,000 will be insured.

At June 30, 2009, the School's cash balance of \$170,701 was in a non-interest bearing account and thus was fully insured.

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE C - CAPITAL ASSETS

Changes in capital assets are as follows:

	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2009</u>
Capital assets depreciated:				
Building improvements	\$ 78,465	\$ -	\$ -	\$ 78,465
Leasehold improvements	298,650	20,000	-	318,650
Furniture, fixtures and equipment	33,847	10,125	-	43,972
Audio visual equipment	1,299	-	-	1,299
Computer software	7,058	-	-	7,058
Information technology equipment	<u>88,432</u>	<u>23,489</u>	<u>-</u>	<u>111,921</u>
Total assets depreciated	<u>507,751</u>	<u>\$ 53,614</u>	<u>\$ -</u>	<u>561,365</u>
Less accumulated depreciation:				
Building improvements	26,164	\$ 9,566	\$ -	35,730
Leasehold improvements	47,108	20,943	-	68,051
Furniture, fixtures and equipment	21,619	3,744	-	25,363
Audio visual equipment	461	159	-	620
Computer software	7,058	-	-	7,058
Information technology equipment	<u>18,132</u>	<u>12,303</u>	<u>-</u>	<u>30,435</u>
Total accumulated depreciation	<u>120,542</u>	<u>\$ 46,715</u>	<u>\$ -</u>	<u>167,257</u>
Total governmental activities capital assets, net	<u>\$ 387,209</u>			<u>\$ 394,108</u>

Depreciation expense for the year ended June 30, 2009 was charged to functions of the School as follows:

Media services	\$ 658
School administration	11,546
Food services	862
Operation of plant	<u>33,649</u>
	<u>\$ 46,715</u>

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE D - NOTE PAYABLE

	Balance at July 1, 2008	Additions	Payments	Balance at June 30, 2009	Due within one year
Note payable	\$ 614,922	\$ -	\$ 92,024	\$ 522,898	\$ 102,673

In February 2006, the School entered into a promissory note with the operating company to payoff past indebtedness in relation to management services and working capital advances as described in Note F-1 and G-1. The agreement was amended in February of 2008 to include \$300,000 forgiveness of debt. On June 30 of each year, eighty percent of all funds remaining in the operating account after payment of all other operating expenses, as defined in the operating agreement, shall be paid on this note. No additional payments were required for the year ended June 30, 2009. The principal and interest (11%) payments commenced on July 1, 2006 and will end September 30, 2013 upon full repayment of the note. Payments related to the note will be considered operating expenditures of the School in the governmental funds, subject to the provisions of the operating agreement discussed in Note F.

The annual minimum payment requirements to maturity consist of the following for the years ended June 30:

	Principal	Interest	Total
2010	\$ 102,673	\$ 52,444	\$ 155,117
2011	114,554	40,563	155,117
2012	127,810	27,307	155,117
2013	142,600	12,517	155,117
2014	35,261	622	35,883
	\$ 522,898	\$ 133,453	\$ 656,351

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE E - CONCENTRATIONS

Revenue sources

As stated in Note A-10, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

Sources	Amounts
School District of Palm Beach County:	
Base funding	\$ 2,287,700
ESE guaranteed allocation	82,855
Supplemental academic instruction	114,766
Class size reduction	623,694
Safe schools	15,186
Declining enrollment	1,277
Discretionary millage	301,005
Discretionary lottery	13,713
Instructional materials	49,875
Administrative fee	(160,679)
Prior year adjustment	<u>(2,393)</u>
Subtotal	3,326,999
Capital outlay	295,835
IDEA	84,668
Miscellaneous state revenue	<u>33,981</u>
Total through School District of Palm Beach County	3,741,483
Local revenues:	
Before / after school care	126,323
Other	<u>29,898</u>
Total revenue	<u><u>\$ 3,897,704</u></u>

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE F - COMMITMENTS AND CONTINGENCIES

1. Operating agreement

An amended and restated operating agreement was made and entered into on February 15, 2006. The agreement calls for an administrative allocation equal to 16% of revenue beginning for the fiscal year ended June 30, 2010; however, for the fiscal years ended June 30, 2007, 2008 and 2009, the total allocation will not exceed \$606 for each full-time equivalent student. Current year management fees charged to operations totaled \$322,088.

In the event there are not sufficient funds to pay operating expenditures, the operating company will provide operating advances to cover such shortfalls. For the years ending June 30, 2007, 2008 and 2009, such advances can not exceed \$200,000 per fiscal year. The operating company shall be reimbursed for such advances on the first date of each month in which funds reside in the School's operating account for which not otherwise reserved by the operating budget. At the end of each fiscal year, any advances that cannot be reimbursed by current year revenue shall be considered a contribution from the operating company. There were no amounts contributed to the School for the year ended June 30, 2009.

2. Facilities

The School has committed to pay a facility allocation fee to the operating company for the building where the school is located pursuant to the terms of the lease or any mortgage agreement in which payments relate to the School's use, tenancy or ownership. Terms of the agreement require an annual fee of \$10.75 per rentable square foot increased annually by the consumer price index, not to exceed an annual increase of 4 percent. The agreement continues through June 30, 2011. Current year facility allocation charged to operations totaled \$485,941. A portion of the facility use fee in the amount of \$295,835 was reimbursed through capital outlay funds.

The following is a schedule of future minimum lease payments for the following years ending June 30:

2010	\$	509,831
2011		<u>530,224</u>
	\$	<u><u>1,040,055</u></u>

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE G - RELATED PARTIES

1. Operating agreement

The School has entered into multiple agreements with an operating company. The operating company is responsible for organizing, developing, managing, staffing and operating the School. During the current year, the operating company charged fees to the School for operating services and the use of the facility and certain equipment as described in Note F. The due from / (due to) operating company activity consists of the following:

	Management Fees	Operating Expenses	Advances/ Contributions	Total
Balance at July 1, 2008	\$ -	\$ 31,553	\$ 113,341	\$ 144,894
Invoiced	(332,088)	(659,093)	-	(991,181)
Payments	332,088	704,285	-	1,036,373
Balance at June 30, 2009	<u>\$ -</u>	<u>\$ 76,745</u>	<u>\$ 113,341</u>	<u>\$ 190,086</u>

2. Note payable

As described in Note D, the School has entered into a note payable agreement with the operating company in order to pay operating expenses and working capital advances accumulated prior to June 30, 2005.

3. Due from / (due to) other schools

The School shares employees with other schools operated by the same management company. A portion of their salaries are allocated to the School on a cost reimbursement basis. The due from / (due to) other schools activity consists of the following:

School	Due from / (Due to)
Imagine Charter School at Weston	\$ 844
Imagine Charter School at Broward	844
Imagine Charter School at North Lauderdale	(748)
Total due from other schools	<u>\$ 940</u>

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE G - RELATED PARTIES (continued)

4. Due to charterholder

Per the operating agreement discussed above (see Note G-1), the School is required to pay expenses incurred by the Board. The School paid \$31,781 to the Board for the year ended June 30, 2009, with \$357 included as due from Charterholder at year end on the School's Balance Sheet and Statement of Net Assets. The Charterholder maintains a bank account separate from the School to track these expenses. As of June 30, 2009, the bank balance on this account was \$3,491, with a book balance of \$31. This account is not reflected in the School's financial statements as it is an asset of the Charterholder and not of the School itself.

NOTE H - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Under the property insurance policy, the School's liability is \$25,000 per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2009. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the year.

REQUIRED SUPPLEMENTAL INFORMATION

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**

For the year ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenue				
Base FTE funding	\$ 3,227,569	\$ 3,326,999	\$ 3,326,999	\$ -
Other state revenue	-	33,981	33,981	-
Supplemental fee revenue	184,000	156,206	156,221	15
Gross school revenue	3,411,569	3,517,186	3,517,201	15
Less: Non-profit expense				
Administrative	20,000	31,781	31,781	-
Principal and interest on note payable	63,093	63,093	63,093	-
Total non-profit expenses	83,093	94,874	94,874	-
Net school operating revenue	3,328,476	3,422,312	3,422,327	15
Expenditures				
Salaries and benefits	2,040,298	2,106,317	2,055,047	51,270
Other school service expense	-	19,613	20,675	(1,062)
Direct educational expense	157,327	114,041	152,790	(38,749)
General and administrative	165,900	116,493	93,788	22,705
Faculty development	4,000	395	-	395
Marketing and enrollment	2,500	3,194	1,556	1,638
Facility operating expense	351,294	371,111	404,222	(33,111)
School operating expenses	2,721,319	2,731,164	2,728,078	3,086
Facility use fee	140,491	192,801	190,106	2,695
Equipment use fee	-	10,129	-	10,129
Property taxes	14,954	14,954	14,954	-
Indirect costs	318,150	332,088	332,088	-
Total expenditures	3,194,914	3,281,136	3,265,226	15,910
Change in net assets (budgetary basis)	133,562	141,176	157,101	15,925
Adjustments to conform with GAAP:				
Capital outlay expenditures	-	-	(53,614)	(53,614)
Depreciation expense	22,000	44,823	46,715	1,892
Principal payment on long-term debt	(92,024)	-	(92,024)	(92,024)
Net change in fund balances (GAAP basis)	63,538	185,999	58,178	(127,821)
Fund balances at July 1, 2008	18,955	18,955	18,955	-
Fund balances at June 30, 2009	\$ 82,493	\$ 204,954	\$ 77,133	\$ (127,821)

See accompanying note to required supplemental information.

Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - CAPITAL OUTLAY FUND

For the year ended June 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenue				
Charter capital funding	\$ 345,450	\$ 295,835	\$ 295,835	\$ -
Expenditures				
Facility use fee	345,450	295,835	295,835	-
Net change in fund balances	-	-	-	-
Fund balance at July 1, 2008	-	-	-	-
Fund balance at June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to required supplemental information.

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc)**

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2009

NOTE A - BUDGETARY INFORMATION

Budgetary basis of accounting

The School's annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the Board of Directors. Since the budgetary basis differs from accounting principles generally accepted in the United States (GAAP), budget and actual amounts in the accompanying required supplemental information are presented on the budgetary basis. A reconciliation to the net change in fund balances presented in conformity with GAAP is set forth in the adjustments to the required supplementary information. During the fiscal year, expenditures were controlled at the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and each major fund for which a legally adopted budget exists.

SUPPLEMENTAL INFORMATION

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach, Inc.)**

SCHEDULE OF FUNCTIONAL EXPENDITURES - GENERAL FUND

For the year ended June 30, 2009

	Basic Instruction	Exceptional Instruction	Guidance Services	Health Services	Media Services	Curriculum Development
Dues and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Electricity	-	-	-	-	-	-
Employee benefits	193,144	12,201	3,845	-	6,272	-
Garbage	-	-	-	-	-	-
Group insurance	-	-	-	-	-	5,798
Insurance	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Internet access	-	-	-	-	-	-
Management fee	-	-	-	-	-	-
Marketing	-	-	-	-	-	-
Miscellaneous	10,322	-	-	-	-	-
Non-professional services	-	-	-	-	-	-
Out of county travel	5,743	-	-	-	-	-
Postage	-	-	-	-	-	-
Principle	-	-	-	-	-	-
Printing	-	-	-	-	-	-
Professional services	-	43,721	-	-	-	-
Rentals	-	-	-	-	-	-
Repairs and maintenance	-	-	-	-	-	-
Salaries	1,295,721	35,865	-	-	24,519	23,841
Social security	106,555	2,997	249	-	1,875	-
Supplies	11,328	493	-	49	-	1,761
Tax and license	-	-	-	-	-	-
Telephone	-	-	-	-	-	-
Textbooks	56,784	-	-	-	-	-
Water and sewer	-	-	-	-	-	-
Computer and peripherals	442	-	-	-	-	-
Furniture, fixtures and equipment	7,634	-	-	-	-	-
Audio visual equipment	-	-	-	-	-	-
Computer software	1,170	-	-	-	421	-
	<u>\$ 1,688,843</u>	<u>\$ 95,277</u>	<u>\$ 4,094</u>	<u>\$ 49</u>	<u>\$ 33,087</u>	<u>\$ 31,400</u>

Staff Development	Board of Directors	School Administration	Food Services	Central Services	Transportation	Operation of Plant	Maintenance of Plant	Before / After	Fixed Capital Outlay	Debt Service	Total
\$ -	\$ -	\$ 11,230	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,230
-	-	-	-	-	-	86,882	-	-	-	-	86,882
-	-	31,075	37	-	-	-	-	911	-	-	247,485
-	-	-	-	-	-	7,161	-	-	-	-	7,161
-	-	-	-	-	-	-	22	-	-	-	5,820
-	-	-	-	-	-	58,018	-	-	-	-	58,018
-	-	-	-	-	-	-	-	-	-	63,093	63,093
-	-	-	-	-	-	2,866	-	-	-	-	2,866
-	-	332,088	-	-	-	-	-	-	-	-	332,088
-	-	1,556	-	-	-	-	-	-	-	-	1,556
-	-	10,034	-	-	-	12,520	-	8,904	-	-	41,780
-	-	-	-	-	19,813	-	-	-	-	-	19,813
-	-	1,520	-	-	-	-	-	-	-	-	7,263
-	-	1,390	-	-	-	-	-	-	-	-	1,390
-	-	-	-	-	-	-	-	-	-	92,024	92,024
-	-	907	-	-	-	-	-	-	-	-	907
395	31,781	2,000	-	-	-	8,037	-	-	-	-	85,934
-	-	2,695	-	-	-	190,106	-	-	-	-	192,801
-	-	10,950	-	-	-	113,882	39,406	-	-	-	164,238
-	-	215,578	2,577	-	-	-	11,571	59,697	-	-	1,669,369
-	-	14,978	249	-	-	-	913	4,557	-	-	132,373
-	-	6,320	-	31,119	-	-	-	2,965	-	-	54,035
-	-	-	-	-	-	14,954	-	-	-	-	14,954
-	-	-	-	-	-	15,071	-	-	-	-	15,071
-	-	-	-	-	-	-	-	-	-	-	56,784
-	-	-	-	-	-	26,730	-	-	-	-	26,730
-	-	-	-	-	-	-	-	-	20,000	-	20,442
-	-	2,488	-	1,331	-	-	-	-	10,125	-	21,578
-	-	-	-	-	-	-	-	-	23,489	-	23,489
-	-	258	-	-	-	-	-	-	-	-	1,849
\$ 395	\$ 31,781	\$ 645,067	\$ 2,863	\$ 32,450	\$ 19,813	\$ 536,227	\$ 51,912	\$ 77,034	\$ 53,614	\$ 155,117	\$ 3,459,023

Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)

SCHEDULE OF FUNCTIONAL EXPENDITURES - CAPITAL OUTLAY FUND

For the year ended June 30, 2009

	<u>Operation of Plant</u>
Rentals	<u>\$ 295,835</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



To the Board of Directors
Chancellor Charter School at Lantana
Lantana, Florida

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Melbourne, FL 32940
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407.644.5811
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We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Chancellor Charter School at Lantana, (the "School") a component unit of the School District of Palm Beach County, Florida, and a division of Learning Excellence Foundation of South Palm Beach County, Inc. as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chancellor Charter School at Lantana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chancellor Charter School at Lantana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Chancellor Charter School at Lantana's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Chancellor Charter School at Lantana's financial statements that is more than inconsequential will not be prevented or detected by Chancellor Charter School at Lantana's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Chancellor Charter School at Lantana's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether Chancellor Charter School at Lantana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported in the management letter dated September 22, 2009.

Chancellor Charter School at Lantana's response to our findings identified in our audit is described in the accompanying letter of management response. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Chancellor Charter School at Lantana's management, Board of Directors, others within the entity, the School District of Palm Beach County, the State of Florida Office of the Auditor General and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

September 22, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

To the Board of Directors
Chancellor Charter School at Lantana
Lantana, Florida



We have audited the financial statements of Chancellor Charter School at Lantana, a component unit of the School District of Palm Beach County, Florida and a division of Learning Excellence Foundation of South Palm Beach County, Inc. (the "Charterholder"), as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated September 22, 2009.

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which are dated September 22, 2009, should be considered in conjunction with this management letter.

480 N. Orlando Ave.
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Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of the charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

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561-837-6627
FAX 561-837-6632

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report as noted under the heading Prior Year Management Recommendations – Corrected, except as noted under the heading Prior Year Management Recommendations- Repeated.
- Section 10.854(1)(e)3, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we identified one recommendation as listed under the heading Current Year Management Recommendations at 09-1.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)6, Rules of the Auditor General, requires the name or official title of the school. The official title of the school is *Chancellor Charter School at Lantana*, which is a division of Learning Excellence Foundation of South Palm Beach County, Inc., which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions used to determine if a school is in a financial emergency, described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School has met one of the financial emergency conditions described in Section 218.503(1), Florida Statutes. The school reports an accumulated net deficit of \$51,657 and an unrestricted net deficit of \$445,765 on its statement of net assets at June 30, 2009.
- We have applied financial assessment procedures pursuant to the rules of the Auditor General 10.855(10). There are no deteriorating financial conditions disclosed pursuant to Section 218.39(5), Florida Statutes.
- Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Chancellor Charter School at Lantana's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of Chancellor Charter School at Lantana's management, Board of Directors, others within the entity, the School District of Palm Beach County, the State of Florida Office of the Auditor General and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

September 22, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Prior Year Management Recommendations - Corrected

06-6 Journal entry approval

Criteria: The School should have appropriate support for general journal entries prior to being posted.

Condition: Of the various journal entries tested throughout the school year, 3 entries did not have proper approval.

Effect: There is the risk that management could override controls and/or a misstatement could occur that would go undetected.

Auditors' recommendations: We recommend the adoption of a policy whereby a member of management will approve all general journal entries. The preparer and the individual approving them should initial these entries in order to attribute responsibility to the appropriate individuals.

As of June 30, 2009, the above issue has been resolved.

08-1 Dual signatures for cash disbursements

Criteria: The School's policy requires dual signatures on all checks greater than \$5,000.

Condition: Out of a sample of 25 cash disbursements, there were 13 checks that were over \$5,000 and required dual signatures. There was 1 instance in which an \$18,000 check did not have dual signatures out the 13 that required dual signatures.

Cause: A check greater than \$5,000 was overlooked when being applied to the School's dual signature check signing policy.

Effect: Disbursements not allowable by the budget could be made without management awareness.

Auditors' recommendation: We recommend that the School follow their policy in place that requires dual signatures on all checks greater than \$5,000. We also recommend that the School establish monitoring procedures to ensure that the process is being followed.

As of June 30, 2009, the above issue has been resolved.

Prior Year Management Recommendations - Corrected (continued)

08-2 Controls over supplemental revenues

Criteria: Since cash is so readily subject to error and mishandling, effective control of checks, currency, and other cash items should begin at the time of receipt and continue through until deposit.

Condition: During our walkthrough documentation procedure for the audit, it was noted that receipts are only written for cash payments made for services. It was also noted that amounts deposited for before and after care are not reconciled back to the receipts written when monies are received. In addition, per discussions with management and review of the trial balance, a material amount of uncollectible receivables were written off during the current year related to before and after care services.

Cause: The School did not closely monitor and reconcile supplemental revenues throughout the year.

Effect: By not monitoring and reconciling supplemental revenues there is an increased risk that errors or misappropriations could occur and go undetected.

Auditors' recommendation: We recommend that receipts be issued for all collections of supplemental revenues and amounts deposited should be reconciled back to the receipts written. The School should also review its monitoring process over the collection of supplemental revenues to include a more stringent process regarding delinquent payments.

As of June 30, 2009, the above issue has been resolved.

08-3 Budget Amendments

Criteria: Section 1002.33(9)i of the Florida Statutes requires that the governing body of the charter school adopt an annual budget. This budget should be amended if management believes expenses will exceed actual appropriations.

Condition: During the current year, actual expenditures exceeded final budgeted appropriations of the general fund by \$46,290.

Cause: The School did not amend the budget to reflect additional expenditures incurred after the final amendment.

Effect: The School's actual expenditures exceeded budgeted appropriations.

Auditors' recommendation: It is our recommendation that the School amend their budget to ensure that the School's actual expenditures do not exceed the budget. The School has the ability to amend their budget within 60 days after the fiscal year end.

As of June 30, 2009, the above issue has been resolved.

Prior Year Management Recommendations - Repeated

06-7 Financial condition

Criteria: The School must follow the condition specified Section 218.503(1)(e), Florida Administrative Code where all schools will not run at a deficit.

Condition: The School reported a net deficit of \$961,878, an unreserved net deficit of \$1,171,806 and a fund balance deficit of \$34,513.

Cause: The School accumulated deficits during prior years as a result of start-up and operating costs that were paid by their operating company.

Status as of June 30, 2009:

Condition: Although the School reported an accumulated net deficit of \$51,657 and an unrestricted net deficit of \$445,765, it was not a result of deteriorating financial conditions. The School continues to improve its financial conditions with an increase in net assets of \$157,101 for the year ended June 30, 2009.

Auditors' recommendation's: We recommend management continue to the closely monitor the School's deficit.

Current Year Management Recommendations

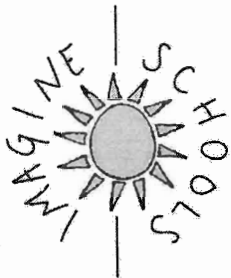
09-1 Student Attendance

Criteria: Florida Statute 1003.23 requires that students be counted in attendance for the school day only if they are actually present at school or are away from school and are engaged in an educational activity which constitutes a part of the school-approved instructional program for the student.

Condition: Of the 10 students sampled, 1 student's attendance was incorrectly reported to the District. This student was reported as present instead of absent.

Effect: The School is not in compliance with state statutes and the Florida Department of Education's attendance record keeping requirements.

Auditors' recommendation: We recommend the School implement a review policy to ensure that any changes that are made to attendance, or even original data entry of attendance, are recorded correctly.



Imagine Schools-Chancellor Campus

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September 15, 2009

To Whom It May Concern:

The following is our response to the draft audit dated September 7, 2009.

06-7 Financial condition

The school is continuing to pay its promissory note; and is reducing its indebtedness in accordance with the operating agreement. The school will continue to monitor its budget and actuals very closely to ensure that there is no increase in the school's deficit balance and continues to increase its net assets.

09-1 Student Attendance

Teachers will record student attendance in their roster books as well as submit a hard copy to the central office. They will be uploaded for district accountability. As part of the 2009-10 school year, the staff has accepted the institution of Gradekeeper for its reporting system. Part of that process involves recording student attendance. If a student is marked absent; and then reports to school late the data processor will be given a carbon copy of the tardy slip. The teacher will change the student from "absent" to "tardy" in their planner. This will ensure that the State statute and the Florida Department of Education attendance requirements are met.

Signed: _____

Laura Levin Mardyks, Ed.D.

Principal

Date: _____

Signed: _____

Chris Johnson

Governing Board Chair

Date: _____

Signed: _____

Rod Sasse

Regional Director

Date: _____